



THE STRATEGIC PLAN

of the Indiana Public Retirement System (INPRS)
for the period of June 29, 2012 – June 30, 2015





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INTRODUCTION

As noted in the last publication of the INPRS Strategic Plan, the integration of Indiana's largest public pension plans began in 2010 and continued throughout FY2011 and FY2012. Guided by the goals and objectives outlined in its initial Strategic Plan, INPRS reached many important milestones.

The FY2013 INPRS Strategic Plan has been updated to reflect our achievements and new goals. This strategic plan continues to embed our vision, mission and guiding principles into the INPRS culture and daily operations, allowing the relatively young INPRS entity to provide retirement security for our members.

TOP FIVE PRIORITIES

The accomplishment of the following top five priorities for INPRS will be especially critical going forward:

1. Continue development and implementation of modernization projects
 - ERM (Employer Reporting and Maintenance)
 - INPAS (Indiana Pension Administration System)
 - Call Center
2. Implement Annuity Savings Account (ASA) only plan (upon IRS approval)
3. Implement consolidated INPRS investment asset allocation
4. Advance implementation of enterprise risk management
5. Enhance vendor management

Given that many interdependencies among objectives exist at INPRS, these goals must be reached without losing focus on any of the goals of INPRS' various functions.

ENHANCEMENTS

The following enhancements have been made to the INPRS Strategic Plan and the process to develop it:

- INPRS has included a Vision Statement as a beacon for our strategic direction. The INPRS Vision Statement answers the question, "What do we seek to be as an entity?" The entity's vision must be pursued with passion, so it is critical that the strategic plan considers the internal and external environments in which INPRS operates and answers the question, "How do we achieve our vision?"

INTRODUCTION

- The strategic planning process for the FY2013 plan was conducted with greater recognition of the relationship between the strategic planning process and the INPRS enterprise risk management process. Simply stated, these processes are inherently intertwined. The next section provides a brief background explaining this relationship and insight into what is still a relatively new concept for INPRS.

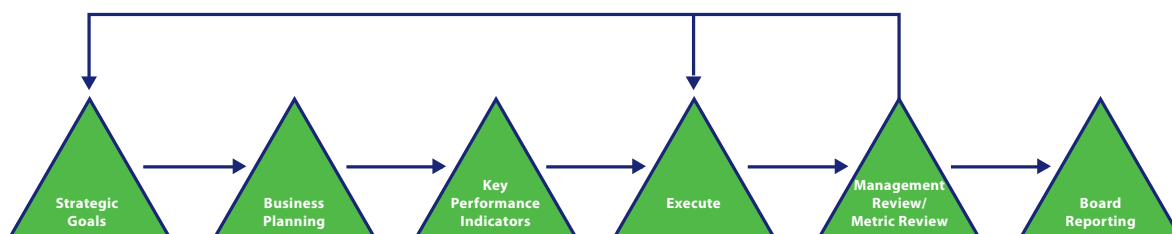
ALIGNMENT OF STRATEGIC PLANNING AND ENTERPRISE RISK MANAGEMENT

The focus of INPRS enterprise risk management is to ensure that the greatest risks to achieving strategic goals are identified, so it is critical to establish an appropriate link between managing risk and setting, modifying and executing strategy.

The following graphics provide a summary of the key components of the INPRS management process, as well as key elements to accomplish “Advance implementation of enterprise risk management” – #4 of the top five priorities listed in the Introduction. These graphics outline the risk assessment and risk deep dive elements of the INPRS management process. A full discussion of the alignment of the strategic planning and execution process with the enterprise risk management process can be found in INPRS’ Enterprise Risk Management Handbook.

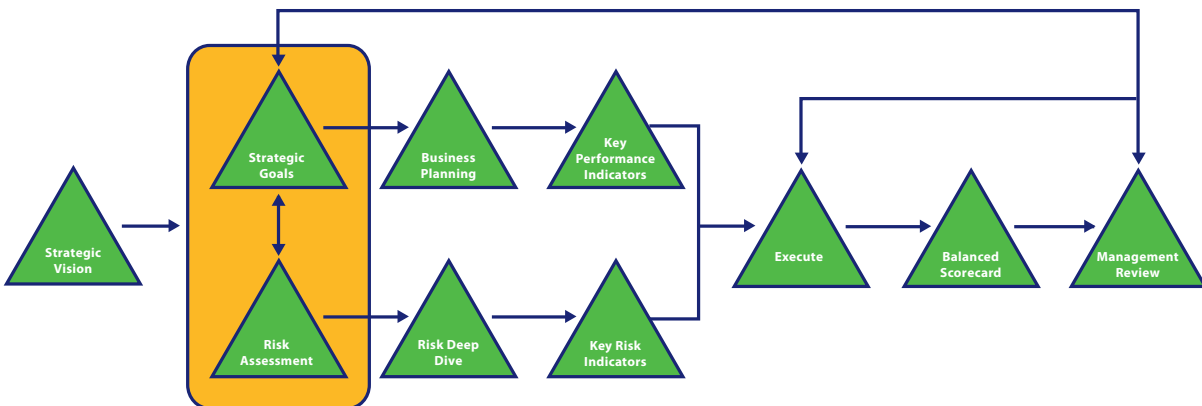
Diagrams below show our current management process, as well as the future state we will move toward. The future state more fully integrates elements of the enterprise risk management process into the overall management process at INPRS:

Current State – INPRS Management Process



INTRODUCTION

Future State – INPRS Management Process



INPRS strategy (including the vision and mission) require the organization to accept risk. A disciplined approach to protecting the mission needs to be integrated with the aspirational objectives established through strategy-setting. Identifying and evaluating the risks inherent in the strategy make the strategy itself more robust and realistic and improve the organization's ability to achieve its strategic objectives.

Enterprise Risk Assessment (ERA)

When setting strategy, it is critical to define the variables in the enterprise's strategic goals that could dramatically affect performance and adversely impact execution. Completing a robust risk assessment comprises a number of key components:

- Understanding and challenging the critical assumptions underlying the strategy
- Proactively identifying the uncertainties inherent in the strategy, to focus on minimizing what we don't know about the strategy and business plan
- Using the results of assessment to drive monitoring of the external environment
- Keeping the risk assessment evergreen as the business environment changes



INTRODUCTION

Risk Deep Dives, Key Risk Indicators and a Balanced Scorecard

The primary reason for risk deep dives is to help ensure the risks to the strategic plan are managed and/or exploited. The deep dives also help identify key risk indicators (KRI's) which, when combined with key performance indicators (KPI's), can form a balanced scorecard for INPRS. The balanced scorecard introduces active monitoring of risks into the INPRS' management review and decision making processes. With better information available, management can provide appropriate feedback to the execution and strategic planning processes, increasing the likelihood that critical risks are being managed and that the strategic plan will be achieved.

VISION

To be the premier public retirement system, respected by customers, peers and community, and known for professional service, technological advancement and fund stability.

MISSION

We advance the achievement of retirement security for current and future retirees and beneficiaries through our delivery of operational and investment excellence, exemplary customer service and trusted stakeholder communication.

PRINCIPLES

- **Stewardship.** We prudently invest and manage the assets held in trust for current and future retirees. We rigorously identify, measure and manage risk.
- **Best in Class Operations.** We efficiently deliver accurate, timely retirement benefit payments and related services with attentiveness to high quality customer service.
- **Trusted Source.** We are our stakeholders' trusted source of reliable, comprehensive information about retirement security and the role that INPRS plays in the delivery of that security.
- **Collaboration and Shared Purpose.** We value professionalism, teamwork and operational excellence to consistently improve the quality and sustainability of our services.



INTRODUCTION

STRATEGIC GOALS

Operations Goals & Objectives:

- Ensure that members receive services and benefit payments accurately, timely, and efficiently.
- Provide a variety of methods for members and employers to easily access accurate and timely information and educational programs.
- Accurately, timely and efficiently collect, maintain and account for contributions and information in order to sufficiently meet actuarial requirements.
- Accurately, timely and efficiently maintain financial statements and reports to ensure compliance with industry standards.
- Implement and maintain modern business processes and technologies that support accurate, timely and efficient service in a secure environment.

Investment Goals & Objectives:

- Develop and maintain a Defined Benefit (DB) asset allocation that prudently invests assets to achieve a net rate of return equal to the actuarial assumed rate of return, greater than the asset allocation benchmark, and sufficient to pay all benefit obligations within accepted risk and cost parameters.
- Provide a variety of Annuity Savings Account (ASA) and Defined Contribution (DB) fund options and achieve rates of returns equal to or greater than the fund options' benchmarks.
- Ensure sufficient monies are available to meet cash flow requirements.

Administration Goals & Objectives:

- Maintain stakeholder trust through effective communications and collaborative relationships.
- Implement governance, audit, strategic planning, risk management, program management and quality management policies and programs needed to achieve goals.
- Recruit, retain, train, and develop a work force needed to achieve goals.
- Advocate for and implement legislative and regulatory policies needed to achieve goals.

ESTABLISHING OBJECTIVES

With the strategic goals completed, staff gathered input from throughout the organization regarding specific steps – objectives – necessary to achieve the identified goals.

On the following pages, you will see each goal listed, as well as the specific steps to be taken to achieve them. A special emphasis has been placed on collaboration, with the understanding that various groups within the fund must work well together for successful implementation of the plan.



OPERATIONS GOALS & OBJECTIVES

Goal 1: Ensure that members receive services and benefit payments accurately, timely, and efficiently.

Objectives

- Demonstrate continuous improvement or maintain excellence on metrics for new retirements, distributions, service requests and Call Center.
- Distribute accurate 1099-R documents by Jan. 31 of every year.
- Process two equal Pension Relief payments to local units before June 1 and Oct. 2, each year, per Indiana law.
- Develop post Employer Reporting and Maintenance (ERM) implementation customer service enhancement strategy.
- Evaluate Customer Relationship Management tools for use at INPRS.
- Rationalize long term strategy for Call Center including Tier 1 and Tier 2.



OPERATIONS GOALS & OBJECTIVES

Goal 2: Provide a variety of methods for members and employers to easily access accurate and timely information and educational programs.

Objectives

- Demonstrate continuous improvement or maintain excellence on Communications metrics.

ACCESS TO INFORMATION

Objectives

- Conduct a general member survey annually to measure members' awareness and satisfaction of INPRS information and services.
- Provide Net Pension Obligation reports to required employers.
- Provide Annual Contribution Rate letters to employers.
- Review stakeholder communication according to communication planning procedure, including annual review of each member handbook and public Web sites.
- Annually send at-a-glance information to members describing their plans.
- Determine metric that will measure the increase in members accessing electronic information.

EMPLOYER TRAINING AND EDUCATION

Objectives

- Increase employer awareness of the hybrid plan structure to be at least to the same level of members' awareness.

RETIREMENT EDUCATION

Objectives

- Improve member awareness of hybrid plan by 5 percent.



OPERATIONS GOALS & OBJECTIVES

Goal 2: Provide a variety of methods for members and employers to easily access accurate and timely information and educational programs.

RETIREMENT EDUCATION, CONTINUED

Objectives

- Educate members on making a conscious decision on Annuity Savings Account (ASA) investments, and measure the percentage of members claiming to make an intentional decision.
- Improve by 5 percent the number of retiring members attending a retirement workshop prior to retirement.
- Improve by 5 percent members' perceived retirement readiness.
- Collaborate with appropriate state agencies – such as Auditor, Treasure and State Personnel – to create educational information for state employees regarding various PERF and non-PERF retirement benefits and opportunities.



OPERATIONS GOALS & OBJECTIVES

Goal 3: Accurately, timely and efficiently collect, maintain and account for contributions and information in order to sufficiently meet actuarial requirements.

EMPLOYER PAYMENT & REPORTING

Objectives

- Demonstrate continuous improvement or maintain excellence on metrics for contributions, data posting, exceptions and reporting.
- Enforce penalties on employers for late reporting of payments under Indiana code.
- Request Pension Relief information from employers.
- Process requests for new units and enlargements biannually.

ACTUARIAL VALUATION

Objectives

- Complete actuarial valuation reports annually.
- Establish employer contribution rates at or above the Actuarial Required Contribution rates annually.
- Establish one employer rate for PERF funds.



OPERATIONS GOALS & OBJECTIVES

Goal 4: Accurately, timely and efficiently maintain financial statements and reports to ensure compliance with industry standards.

FINANCIAL REPORTING & RECONCILIATION

Objectives

- Demonstrate continuous improvement or maintain excellence on metrics for financial reporting and reconciliations.
- Be compliant with GAAP (Generally Accepted Accounting Principles) and GASB (Governmental Accounting Standards Board) evidenced by:
 - Obtain an annual unqualified opinion from State Board of Accounts.
 - Obtain an annual GFOA (Government Finance Officers Association) certification of Comprehensive Annual Financial Reports.
- Ensure that any audit findings or control issues identified in the annual State Board of Accounts audit have action plans developed to correct the deficiency or material weakness within 30 days after close of the audit.
- Publish INPRS Comprehensive Annual Financial Report (CAFR) annually .



OPERATIONS GOALS & OBJECTIVES

Goal 5: Implement and maintain modern business processes and technologies that support accurate, timely and efficient service in a secure environment.

Objectives

- Demonstrate continuous improvement or maintain excellence on all IT metrics.

DOCUMENTED PROCEDURES

Objectives

- Review and communicate all major documented IT procedures annually and minor IT process every two years.
- Establish IT Service Level Agreement with INPRS business units.

IT MANAGEMENT

Objectives

- Deploy business intelligence infrastructure to enable reporting capabilities across all enterprise systems.
- Deploy Information Technology Service Management (ITSM)/Information Technology Infrastructure Library (ITIL) framework applications and infrastructure support processes to establish baseline for continuous improvement efforts and to enable future IT operating models.
- Transform applications and infrastructure resource pools to support modernization technologies and systems.

MODERNIZATION

Objectives

- Develop and deploy state of the art defined benefit administration system (INPAS) with 80 percent automation retirement processing and final benefit adjustment by April 2013.
- Develop and deploy state of the art ERM system by Oct. 2012.



OPERATIONS GOALS & OBJECTIVES

Goal 5: Implement and maintain modern business processes and technologies that support accurate, timely and efficient service in a secure environment.

MODERNIZATION, CONTINUED

Objectives

- Maximize awareness and familiarity of product development and training resources leading to 100 percent employer participation in ERM application upon launch, Oct. 1, 2012.
- Maintain ongoing and regular communication with employers, resulting in 90 percent employer satisfaction with communication as measured by employer survey.
- Create functionality so members can submit and track their retirement application online and minimize required paperwork Post-INPAS go-live.

DATA INTEGRITY

Objectives

- Ensure a process is in place so that each project has a data cleansing component to eliminate underlying data errors.

SECURITY

Objectives

- Regularly perform, at least annually, internal and external security audits to ensure customer and staff security.
- Distribute monthly security awareness communications to staff via INPRS intranet site.

BUSINESS CONTINUITY

Objectives

- Develop an integrated continuity plan with annual scheduled reviews and “what if” scenarios played out.

A graphic of a target with several arrows hitting the bullseye, overlaid with the text 'INVESTMENT GOALS & OBJECTIVES'.

INVESTMENT GOALS & OBJECTIVES

Goal 6: Develop and maintain a Defined Benefit (DB) asset allocation that prudently invests assets to achieve return equal to the actuarial assumed rate of return, greater than the asset allocation benchmark and sufficient to pay all benefit obligations within accepted risk and cost parameters.

Objectives

- Achieve DB Investment targets and metrics.

DB ASSET ALLOCATION

Objectives

- Develop asset class optimization including fixed income, commodities, absolute return, and private equity.

INVESTMENT POLICY STATEMENT

Objectives

- Monitor compliance matrix for the new Investment Policy Statement (IPS).
- Implement single optimized currency policy.
- Establish a Placement Agency policy.
- Establish Tax Reclaims Monitoring program.

CONSOLIDATION

Objectives

- Consolidate public managers.
- Consolidate private equity programs.



INVESTMENT GOALS & OBJECTIVES

Goal 6: Develop and maintain a Defined Benefit (DB) asset allocation that prudently invests assets to achieve return equal to the actuarial assumed rate of return, greater than the asset allocation benchmark and sufficient to pay all benefit obligations within accepted risk and cost parameters.

RISK

Objectives

- Continue with risk management evolution.
- Fully fund Risk Parity.

COST

Objectives

- Annually conduct a review of investment management fees including but not limited to the benchmarking fees as compared to other public pension funds.
- Identify and realize cost savings from pooling the assets.

OTHER INITIATIVES

Objectives

- Address home country bias.
- Optimize cash equitization.
- Complete securities lending review.
- Improve reporting and communication to executive director, investment committee and the board.



INVESTMENT GOALS & OBJECTIVES

Goal 7: Provide a variety of Annuity Savings Account (ASA) and Defined Contribution (DC) fund options and achieve rates of returns equal or greater than the fund options' benchmarks.

Objectives

- Achieve ASA metrics.
- Perform an annual review of ASA and DC fund options including glidepath (asset allocation) assumptions for target date funds.



INVESTMENT GOALS & OBJECTIVES

Goal 8: Ensure sufficient monies are available to meet cash flow requirements.

Objective

- Complete a liquidity analysis of plans taking into consideration projected cash out flows and the liquidity position of the investment portfolio on an annual basis.
- Provide all pension benefits, member refunds, administrative payments and all other payments from available cash balances without unplanned and/or premature liquidation of desired investment assets.
- Provide Investments with rolling six-month cash flow forecasts at least quarterly reflecting incoming contributions and outgoing disbursements.



ADMINISTRATION GOALS & OBJECTIVES

Goal 9: Maintain stakeholder trust through effective communications and collaborative relationships.

STAKEHOLDER TRUST

Objectives

- Identify, segment, prioritize and establish core issues of stakeholder groups as part of annual corporate communication plan completed by March 31 of each year.
- Maintain and improve positive member and employer perceptions regarding INPRS “trustworthiness” at 89 percent or better, as measured by annual surveys.
- Maintain and improve positive member and employer perceptions regarding INPRS “reputation” at 77 percent or better, as measured by annual surveys.
- Maintain and improve positive INPRS “trustworthiness” and “reputation” by initiating active contact with pension researchers nation-wide to ensure understanding of comparative pension data.
- Maintain effective issues management monitoring process with monthly executive summaries relevant to the funds and their stakeholders.
- Continue to meet the standards of the Public Pension Coordinating Council (PPCC) resulting in receipt annually of the PPCC Standards Award.
- Examine the pros and cons of publishing a Popular Annual Financial Report (PAFR), identify target audience, and make a recommendation.

RELATIONSHIP MANAGEMENT

Objectives

- Maintain a stakeholder satisfaction measurement system, including actionable data from which to empower staff to improve service. Measured by annual implementation of stakeholder targeted system of surveys, including annual statistical analysis of satisfaction drivers.
- Maintain ongoing Employer Advisory Groups, meeting at least twice each year, from which to elicit feedback and encourage dialogue.



ADMINISTRATION GOALS & OBJECTIVES

Goal 9: Maintain stakeholder trust through effective communications and collaborative relationships.

RELATIONSHIP MANAGEMENT, CONTINUED

Objectives

- Develop ongoing Member Advisory Groups, meeting at least twice each year, from which to elicit feedback and encourage dialogue.
- Enhance stakeholder relationship through attendance at various stakeholder-sponsored group meetings.



ADMINISTRATION GOALS & OBJECTIVES

Goal 10: Implement governance, audit, strategic planning, risk management, program management and quality management policies and programs needed to achieve goals.

GOVERNANCE

Objectives

- Complete biennial review of board governance documents.
- Determine board education and implement annually.
- Establish board self-evaluation program.
- Document actuarial policy and assumptions.
- Review and assess board committee structure.
- Review and assess the use of the Policy and Procedure Management (PPM) tool. Determine roles, responsibilities and the process to maintain organized, current policies and procedures.

AUDIT

Objectives

- Meet audit metrics.
- Develop a board and executive director approved audit plan based upon an ongoing risk assessment of the agency, annually.
- Complete 100 percent of all audits identified as high risk on the audit plan and 75 percent of audits identified as medium risk.
- For all audits completed, identify, make recommendations and obtain action plans to address: deficiencies in the internal control structure; deficiencies in employer compliance with laws, rules, and policies; the organization's ability to meet strategic goals and objectives.



ADMINISTRATION GOALS & OBJECTIVES

Goal 10: Implement governance, audit, strategic planning, risk management, program management and quality management policies and programs needed to achieve goals.

AUDIT, CONTINUED

Objectives

- Report on investment compliance with applicable statutes and policies.
- Perform control consultations on any new system implementation.
- Implement Internal Audit Quality Assurance and Improvement Program (QAIP) per IIA Standards.

STRATEGIC PLANNING

Objectives

- Maintain a strategic plan on a three-year time horizon to be updated annually.

RISK MANAGEMENT

Objectives

- Complete risk assessment on new strategic plan and complete deep dives identified for the fiscal year.
- Establish an integrated fraud program that will consider Whistleblower input, and include annual training, quarterly articles on PERF and TRF Intranet (PATI), and specific fraud testing in each audit and implement quarterly fraud testing in specific areas.
- Implement new compliance procedures.



ADMINISTRATION GOALS & OBJECTIVES

Goal 10: Implement governance, audit, strategic planning, risk management, program management and quality management policies and programs needed to achieve goals.

PROGRAM MANAGEMENT

Objectives

- Complete roll out of Project and Portfolio Coordination (PPC) Phase 2 (Project Execution Standards), confirm additional functional steering committees, and confirm project status reporting with all INPRS project management unit.
- Complete Initial INPRS PPC Portfolio assessment and balancing and conduct biannually following.
- Develop enhanced business analysis and design process.

QUALITY

Objectives

- Evaluate available industry standard quality management system methodologies for implementation with INPRS with an anticipated roll-out of a methodology during FY13 targeting an established and mature quality management system by June 30, 2014.



ADMINISTRATION GOALS & OBJECTIVES

Goal 11: Recruit, retain, train, and develop a workforce needed to achieve goals.

HUMAN RESOURCE MANAGEMENT

Objectives

- Develop comprehensive HR Metrics and complete trend analysis, add to the strategic plan metrics.
- Develop plan document and process first payout for Investment Incentive Plan.
- Develop compensation practice communication for all management.
- Make adjustments to administrative bands primarily based on McLagan Study and communicate to staff.

RECRUIT

Objectives

- Establish a methodology to track and monitor INPRS attractiveness to prospective employees and review annually thereafter.

RETAIN

Objectives

- Engage the compensation committee on the board to work with staff to assess current INPRS compensation and report back to the board
- Conduct an annual survey of employee satisfaction to determine if changes are needed to policies and procedures and complete action plans to improve.



ADMINISTRATION GOALS & OBJECTIVES

Goal 11: Recruit, retain, train, and develop a workforce needed to achieve goals.

TRAIN & DEVELOP

Objectives

- Establish an enterprise training plan based upon the consolidated review of individual training needs and needs identified by management and update annually thereafter.
- Establish career paths for every job classification and incorporate career planning into annual reviews between supervisors and subordinates and update annually thereafter.
- Complete staffing needs plan for 2013 and 2014, evaluate the skill set of the current organization, and complete succession planning to support.



ADMINISTRATION GOALS & OBJECTIVES

Goal 12: Ensure that services are in place to support an effective operating cost structure needed to achieve goals.

Objectives

- Establish an operating budget to be approved by the board no later than June 30 of each year.
- Report performance to the budget at every board meeting including a forecast of spending for the remainder of the budget year.
- Participate in industry benchmarking programs such as but not limited to the annual CEM survey.
- Complete a cost structure comparison of INPRS to the new CEM peer group.
- Establish a vendor performance measurement system in anticipation of annual review of vendor performance commencing in FY13.
- Evaluate and measure the plan that reduces printing and postage costs by increasing electronic distribution of member and employer materials.
- Determine whether ASA operational costs should be charged to member accounts.
- Re-evaluate the need for a budget and forecast system.
- Develop full-scale quality assurance program to ensure significant recurring and one-time processes between INPRS and Affiliated Computer Services (ACS) are delivered with effective performance, on time and at cost.



ADMINISTRATION GOALS & OBJECTIVES

Goal 13: Advocate for and implement legislative and regulatory policies needed to achieve goals.

Objectives

- Conduct a review of Indiana Code for changes needed to achieve INPRS mission and strategic goals at least annually in advance of the Pension Management Oversight Commission's (PMOC) annual meetings.
- Provide all reports as required by Indiana Code to the Administrative and Legislative branches of Indiana state government.
- Track and communicate pending legislation during legislative sessions.
- Respond to requests from the Legislative Services Agency (LSA) within timeframes mutually agreed upon between INPRS and LSA.
- Implement all legislative changes on their required implementation dates.
- Annually review the nature of member benefit appeals and complaints to assess the need for change to code policies, processes and procedures.